

Washington State Auditor's Office Fraud Program

Updated January 09, 2003

[To view this page in Adobe Acrobat format, click here](#)

[Fraud Overview](#)

[2002 Fraud Report Chart](#)

[Who To Contact To Report A Fraud](#)

The Fraud Program

The State Auditor's Office maintains an exceptional program of fraud prevention, detection and education.

We deal with an average annual workload of 32 frauds totaling approximately \$600,000 in losses each year. In the past 15 years, we have investigated almost 475 frauds totaling over \$8.8 million in losses.

Our Fraud Investigations and Training Manager monitors all fraud cases throughout the state. In addition, each of our 17 audit teams has designated a fraud specialist.

Fraud prevention and detection is an integral part of our risk-based audit approach. This improved audit direction has produced more meaningful information and more recommendations on how to improve accountability in government.

Our fraud training for our own staff and for financial managers in state agencies and local governments provides real value. Annually, we train more than 2,000 government employees on fraud prevention and detection. While it is difficult to quantify how much fraud is prevented by these efforts, we believe it to be a significant amount. But, over the years, we have seen the amount of fraud detected by managers grow, an indication that our training has helped managers detect fraud early and keep losses to a minimum. This tells us that our fraud training is extremely successful.

2002 Fraud Report Chart

Go to [Audit Reports Disclosing Fraud](#) (Adobe Acrobat file)

Fraud Contacts

Reporting possible misappropriations of public resources.

State law requires that all state agencies and local governments **immediately** notify the State Auditor's Office if they know or suspect a loss of public resources.

We encourage governments and agencies to develop policies and procedures regarding this law, including designating the individual who is responsible for informing managers and employees about the reporting requirements and ensuring our Office is promptly notified about losses. These actions will also help to ensure that:

- Losses are minimized.
- Investigations and audits are not hampered.
- Improper settlements are not made with employees.
- Incorrect personnel actions are not taken.
- Employees are protected from false accusations.
- Bond claims are not jeopardized.

Entities should take the following actions when a loss of public funds or assets or other illegal activity is suspected or detected:

- Report the loss to the audit team in your area.
- Protect the accounting records from loss or destruction. All original records related to the loss should be secured in a safe place until our audit has been completed.
- Notify others who need to know about the loss. This may include the governing body, agency head or deputies, chief financial officer or internal auditor, depending upon the circumstances. Providing notification to your legal counsel may also be appropriate.
- Don't enter into a restitution agreement with an employee prior to an audit to establish the amount of loss.
- File a police report with the appropriate local or state law enforcement agency when advised to do so by our Office.

Entities **are not required** to report the following to our Office:

- Normal and reasonable "over and short" situations from cash receipting operations. Record these transactions in the accounting system as miscellaneous income and expense, respectively, and monitor this activity by cashier for any unusual trends.
- Reasonable inventory shortages identified during a physical count. Record inventory adjustments in the accounting system.
- Breaking and entering or vandalism of property.

Please **do not** attempt to correct the loss without reporting to the authorities identified above. In addition, state law requires written approval of the State Auditor and Attorney General before state agencies and local governments make any restitution agreement,

compromise, or settlement of loss claims related to a misappropriation.

If you have any questions about these procedures, please contact Joseph R. Dervaes, Audit Manager for Special Investigations, by telephone at (360) 710-1545 or by e-mail at dervaesj@sao.wa.gov.

Contacts

Fraud Investigations/Training Manager

Joe Dervaes	(360) 710-1545
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Local Government Teams

Bellingham	(360) 676-2165
King County	(253) 872-2622
Lynnwood	(425) 672-1335
Olympia	(360) 725-5376
Port Orchard	(360) 895-6133
Pullman	(509) 335-5868
Seattle	(253) 872-2641
Spokane	(509) 456-2700
Tacoma	(253) 593-2047
Tri-Cities	(509) 734-7105
Vancouver	(360) 260-6408
Wenatchee	(509) 662-0440
Yakima	(509) 454-7848

State Government Teams

Financial Audit	(360) 725-5352
Higher Education	(253) 872-2641
Human Services	(360) 753-2692
Judicial, Executive and Legislative	(360) 725-5408
Technology	(360) 725-5428

[Top of Page](#)